

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **October 30, 2020**

**PURE CYCLE CORPORATION**

(Exact name of registrant as specified in its charter)

**Colorado**

(State or other jurisdiction of incorporation)

**0-8814**

(Commission File Number)

**84-0705083**

(IRS Employer Identification No.)

**34501 East Quincy Avenue, Building 34, Watkins, CO 80137**

(Address of principal executive offices) (Zip Code)

**(303) 292-3456**

Registrant's telephone, including area code

**N/A**

(Former name or former address, if changed since last report.)

Securities registered pursuant to Section 12(b) of the Act:

**Common Stock 1/3 of \$0.01 par value**

(Title of each class)

**PCYO**

(Trading Symbol(s))

**The NASDAQ Stock Market**

(Name of each exchange on which registered)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 1.01 Entry into a Material Definitive Agreement.**

Pure Cycle Corporation announced today that PCY Holdings, LLC ("PCY Holdings"), a Colorado limited liability company wholly-owned by Pure Cycle Corporation, a Colorado corporation ("Pure Cycle"), entered into Contracts for Purchase and Sale of Real Estate (collectively, the "Purchase and Sale Contracts") with each of KB Home Colorado Inc. ("KB Home"), Melody Homes, Inc., a wholly-owned subsidiary of DR Horton ("Melody"), Challenger Denver, LLC ("Challenger"), and Meritage Homes of Colorado, Inc. ("Meritage"), collectively referred to as the "Builders." The Purchase and Sale Contracts with KB Home and Melody were entered into on October 30, 2020. The Purchase and Sale Contracts with Meritage and Challenger were entered into on November 2, 2020. Each Purchase and Sale Contract provides that, upon the terms and subject to the conditions set forth in the Purchase and Sale Contract, PCY Holdings will sell, and the Builder will purchase, a certain number of platted residential lots at the Sky Ranch property, located in unincorporated Arapahoe County, Colorado, approximately four miles south of the Denver International Airport.

The closing of the transactions contemplated by each Purchase and Sale Contract is subject to customary closing conditions, including, among others, the Builder's completion to its satisfaction of a title review and other due diligence of the property, the accuracy of the representations and warranties made by PCY Holdings contained in the Purchase and Sale Contract, and a commitment by the title company to issue to the Builder a title policy, subject to certain conditions. KB Home, Meritage, and Challenger have a 60-day due diligence period and Melody has a 75-day due diligence period. Within seven business days of the execution of each Purchase and Sale Contract, the Builders are obligated to make an earnest money deposit. Pursuant to certain Purchase and Sale Contracts, Builders are required to make additional earnest money deposits after the due diligence period and/or final approval of the entitlements for the property. If a Purchase and Sale Contract is terminated prior to the expiration of the due diligence period, then the earnest money deposit must be refunded to the Builder. Otherwise, the earnest money deposit or deposits will be applied to the payment of the purchase price of the lots at closing in accordance with a specified takedown schedule or be paid to PCY Holdings, subject to certain conditions. Pursuant to each Purchase and Sale Contract, PCY Holdings must use commercially reasonable efforts to obtain final approval of the entitlements for the property on or before nine months after the expiration of the due diligence period, but PCY Holdings will have the right to extend the date for obtaining final approval of the entitlements for up to six months after the initial nine-month period.

PCY Holdings has made customary representations and warranties in the Purchase and Sale Contracts for a transaction of this nature. Certain of PCY Holdings' representations and warranties are subject to knowledge and other similar qualifications and will survive for 12 months after each closing of a takedown of lots. The assertions embodied in the representations and warranties were made solely for purposes of the Purchase and Sale Contracts between PCY Holdings and the Builders and may be subject to important qualifications and limitations agreed to by the parties in connection with the negotiated terms. Pure Cycle's shareholders are not third-party beneficiaries under the Purchase and Sale Contracts and should not rely on the representations and warranties or any descriptions thereof as characterizations of the actual state of facts or conditions of

PCY Holdings or any of its affiliates.

The agreements with KB Home, Meritage and Challenger follow a Lot Development Agreement format under which payments are due upon satisfaction of certain milestones including platted lot delivery, completion of wet utilities, and the final payment due upon delivery of completed, ready-to build, finished lots. The Purchase and Sale Contract with Melody follows a finished lot delivery format whereby full payment is due upon completion of a finished ready-to-build lot.

On November 3, 2020, Pure Cycle issued a press release regarding the Purchase and Sale Contracts. A copy of the press release is attached hereto as Exhibit 99.1.

**Item 9.01**      **Financial Statements and Exhibits.**

(d)      Exhibits.

See Exhibit Index.

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**PURE CYCLE CORPORATION**

Date: November 3, 2020

By: /s/ Kevin B. McNeill

Name: Kevin B. McNeill

Title: Chief Financial Officer

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EXHIBIT INDEX

Exhibit No.	Description
<a href="#">99.1</a>	Text of press release by Pure Cycle, dated November 3, 2020.

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## **Pure Cycle Corporation Announces Contracts for Sale of Lots in 2<sup>nd</sup> Development Filing at Sky Ranch**

Denver, Colorado – November 3, 2020 – Pure Cycle Corporation (NASDAQ Capital Market: PCYO) announced today it has entered into agreements with a distinguished portfolio of four home builders for the sale of residential lots in its second filing at its Sky Ranch Master Planned Community.

Pure Cycle has entered into agreements for the sale of residential lots in its second phase of Sky Ranch. Sky Ranch is located along the I-70 corridor in metro Denver. “Since opening Sky Ranch, the development has catapulted into one of Denver’s most affordable Master Planned Communities,” commented Mark Harding, President of Pure Cycle. “Our second phase will include nearly 900 detached and attached family homes, for which we have contracted for 789 homes to be built by Melody Homes (a wholly-owned subsidiary of DR Horton), KB Home, Meritage Homes and Challenger Homes,” continued Mr. Harding. “We are very proud of the success of our first filing, having completed all 506 finished lots nearly 18 months ahead of our contracted schedule with our home builders and reinforcing the market demand for homes at Sky Ranch,” commented Mr. Harding.

The second phase includes several new product types, including paired homes and townhomes, to diversify the community and add density. These smaller lots are priced on the same return metrics as the larger detached lots so, although they are priced lower, they will cost comparably less to deliver. The total sales price for the 789 lots contracted for is \$63.4 million. The remaining 100+ lots are being held for future use, which if sold at lot prices comparable to the contracted prices would result in total sales for the second filing of \$72.6 million. Our preliminary cost estimates for developing the nearly 900 lots is \$65.6 million, of which we estimate more than \$48.0 million will be spent on public improvements that will be eligible for reimbursement by the Sky Ranch Community Authority Board, subject to its ability to issue bond sufficient to reimburse us. Pure Cycle expects to break ground on this filing by the end of calendar 2020 and deliver model home lots in the fall/winter of 2021.

The Company was able to increase its lot pricing by approximately 40%. For the first filing, our average price for a 50’ lot was \$72,000, compared to \$102,000 in the second filing. This demonstrates Pure Cycle’s success at delivering a high-quality master planned community product at affordable prices. Pure Cycle expects average lot development costs to remain consistent with the initial filing at approximately \$70,000 per lot prior to reimbursables.

Pure Cycle plans to develop the second phase in four sub-phases of approximately 225 lots each with contract deliveries to take approximately four years to complete. During the first filing, each home builder was selling between six to nine homes per month. If market demand continues at this pace and having four builders in the second filing, Pure Cycle believes it would be well positioned to complete the second filing ahead of schedule as it did with the initial filing. In addition to lot sales, Pure Cycle will also receive water and wastewater tap fees, which combined are currently \$31,960 per single-family equivalent. Tap fees will vary based on the size of the lot and house as in the first filing. As part of the initial filing at Sky Ranch, Pure Cycle constructed the majority of its water and wastewater utility assets to incorporate the capacity needs of the second filing, which means the next development filing

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at Sky Ranch will require approximately \$4 million in additional water and wastewater system investment, far less than the approximate \$13 million expended in the initial filing.

**Company Information**

Pure Cycle is a diversified land development and private water utility services company. At our core we are an innovative and vertically integrated wholesale water and wastewater utility service provider that, in addition to developing wholesale water and wastewater utilities, develops a master planned community on land we own and to which we provide water and wastewater services.

Additional information including our recent press releases and SEC filings are available at [www.purecyclewater.com](http://www.purecyclewater.com), or you may contact our President, Mark W. Harding, or our CFO, Kevin B. McNeill, at 303-292-3456 or at [info@purecyclewater.com](mailto:info@purecyclewater.com).

**Forward-Looking Statements**

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are all statements, other than statements of historical facts, included in this press release that address activities, events or developments that we expect or anticipate will or may occur in the future, such as statements about timing of commencement of construction and contract deliveries, estimated cost of developing the lots, estimated expenditures on public improvements and the eligibility of such improvements for reimbursement, plans for phased development, our ability to complete the second filing ahead of schedule, and estimated investment in additional water and wastewater systems. The words “anticipate,” “likely,” “may,” “should,” “could,” “will,” “believe,” “estimate,” “expect,” “plan,” “intend” and similar expressions are intended to identify forward-looking statements. Investors are cautioned that forward-looking statements are inherently uncertain and involve risks and uncertainties that could cause actual results to differ materially. Factors that could cause actual results to differ from projected results include, without limitation: the results of the 60 to 75-day due diligence period by the builders; delays in obtaining necessary governmental approvals for final entitlements, the water and wastewater treatment systems and building permits; the availability of construction companies and equipment; changes in the housing and oil and gas markets; ; the risk factors discussed in Part I, Item 1A of our most recent Annual Report on Form 10-K and Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended February 29, 2020; and those factors discussed from time to time in our press releases, public statement and documents filed or furnished with the U.S. Securities and Exchange Commission. Except as required by law, we disclaim any obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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